

District I
1625 N. French Dr., Hobbs, NM 88240
Phone: (575) 393-6161 Fax: (575) 393-0720

District II
811 S. First St., Artesia, NM 88210
Phone: (575) 748-1283 Fax: (575) 748-9720

District III
1000 Rio Brazos Road, Aztec, NM 87410
Phone: (505) 334-6178 Fax: (505) 334-6170

District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505
Phone: (505) 476-3460 Fax: (505) 476-3462

State of New Mexico
Energy Minerals and Natural Resources
Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-101
Revised July 18, 2013

☐ AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

¹ Operator Name and Address Yates Industries, LLC 403 W San Francisco Street Santa Fe, NM 87501		² OGRID Number 372658
		³ API Number 30-005-60114
⁴ Property Code 331345	⁵ Property Name WHITE	⁶ Well No. 001

⁷ Surface Location

UL - Lot	Section	Township	Range	Lot Idn	Feet from	N/S Line	Feet From	E/W Line	County
I	13	10S	27E		2500	SOUTH	700	EAST	CHAVES

⁸ Proposed Bottom Hole Location

UL - Lot	Section	Township	Range	Lot Idn	Feet from	N/S Line	Feet From	E/W Line	County
I	13	10S	27E		2500	SOUTH	700	EAST	CHAVES

⁹ Pool Information

Pool Name	Pool Code
RACE TRACK; SAN ANDRES	50670

Additional Well Information

¹¹ Work Type Plugback / Add a Zone	¹² Well Type O	¹³ Cable/Rotary	¹⁴ Lease Type PRIVATE	¹⁵ Ground Level Elevation 3784'
¹⁶ Multiple N	¹⁷ Proposed Depth TD: 6678'	¹⁸ Formation Proposed Comp: SAN ANDRES TD: DEVONIAN	¹⁹ Contractor	²⁰ Spud Date 2/17/1970
Depth to Ground water	Distance from nearest fresh water well			Distance to nearest surface water

☒ We will be using a closed-loop system in lieu of lined pits

²¹ Proposed Casing and Cement Program

Type	Hole Size	Casing Size	Casing Weight/ft	Setting Depth	Sacks of Cement	Estimated TOC
Surf	15	12.75	34	360	450	0
Int1	11	8.625	24 & 32	1593	600	0
Prod	7.875	5.5	15.5	6633	200	5620

Casing/Cement Program: Additional Comments

Open Hole from 6633' to 6642'

²² Proposed Blowout Prevention Program

Type	Working Pressure	Test Pressure	Manufacturer
Annular Double Ram	5000	2500	TBD

²³ I hereby certify that the information given above is true and complete to the best of my knowledge and belief. I further certify that I have complied with 19.15.14.9 (A) NMAC <input checked="" type="checkbox"/> and/or 19.15.14.9 (B) NMAC <input checked="" type="checkbox"/> , if applicable. Signature: <i>Cory Walk</i>		OIL CONSERVATION DIVISION	
Printed name: Cory Walk		Approved By:	
Title: Agent		Title:	
E-mail Address: cory@permitswest.com		Approved Date:	Expiration Date:
Date: 3/17/2022	Phone: 505-466-8120	Conditions of Approval Attached	

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State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised August 1, 2011
Submit one copy to appropriate
District Office

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-005-60114	² Pool Code 50670	³ Pool Name RACE TRACK; SAN ANDRES
⁴ Property Code 331345	⁵ Property Name WHITE	
⁷ OGRID No. 372658	⁸ Operator Name YATES INDUSTRIES, LLC	
		⁶ Well Number 001
		⁹ Elevation 3784'

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
I	13	10S	27E		2500	SOUTH	700	EAST	CHAVES

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
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¹² Dedicated Acres	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
40			

No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.

16					17 OPERATOR CERTIFICATION <i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</i> <div><div>Cory Walk</div><div>Signature</div></div> <div>3/17/2022</div> <div>Date</div> <div>Cory Walk</div> <div>Printed Name</div> <div>cory@permitswest.com</div> <div>E-mail Address</div>
					18 SURVEYOR CERTIFICATION <i>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</i> <div>FEBRUARY 5, 1970</div> <div>Date of Survey</div> <div>Signature and Seal of Professional Surveyor:</div> <div>AS SURVEYED BY JAMES BROWN CERTIFICATE NO. 542</div> <div>Certificate Number</div>

State of New Mexico
Energy, Minerals and Natural Resources Department

Submit Electronically
Via E-permitting

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

NATURAL GAS MANAGEMENT PLAN

This Natural Gas Management Plan must be submitted with each Application for Permit to Drill (APD) for a new or recompleted well.

Section 1 – Plan Description

Effective May 25, 2021

I. Operator: YATES INDUSTRIES LLC **OGRID:** 372658 **Date:** 03 / 17 / 2022

II. Type: ☒ Original ☐ Amendment due to ☐ 19.15.27.9.D(6)(a) NMAC ☐ 19.15.27.9.D(6)(b) NMAC ☐ Other.

If Other, please describe: _____

III. Well(s): Provide the following information for each new or recompleted well or set of wells proposed to be drilled or proposed to be recompleted from a single well pad or connected to a central delivery point.

Well Name	API	ULSTR	Footages	Anticipated Oil BBL/D	Anticipated Gas MCF/D	Anticipated Produced Water BBL/D
WHITE #001	30-005-60114	I-13-10S-27E	2500 FSL 700 FFL	65	27	120

IV. Central Delivery Point Name: WHITE BATTERY [See 19.15.27.9(D)(1) NMAC]

V. Anticipated Schedule: Provide the following information for each new or recompleted well or set of wells proposed to be drilled or proposed to be recompleted from a single well pad or connected to a central delivery point.

Well Name	API	Spud Date	TD Reached Date	Completion Commencement Date	Initial Flow Back Date	First Production Date
WHITE #001	30-005-60114	02-17-1970	05-01-1970	4-9-2022	4-23-2022	4-1-2022

VI. Separation Equipment: ☒ Attach a complete description of how Operator will size separation equipment to optimize gas capture.

VII. Operational Practices: ☒ Attach a complete description of the actions Operator will take to comply with the requirements of Subsection A through F of 19.15.27.8 NMAC.

VIII. Best Management Practices: ☒ Attach a complete description of Operator's best management practices to minimize venting during active and planned maintenance.

Section 2 – Enhanced Plan**EFFECTIVE APRIL 1, 2022**

Beginning April 1, 2022, an operator that is not in compliance with its statewide natural gas capture requirement for the applicable reporting area must complete this section.

☐ Operator certifies that it is not required to complete this section because Operator is in compliance with its statewide natural gas capture requirement for the applicable reporting area.

IX. Anticipated Natural Gas Production:

Well	API	Anticipated Average Natural Gas Rate MCF/D	Anticipated Volume of Natural Gas for the First Year MCF

X. Natural Gas Gathering System (NGGS):

Operator	System	ULSTR of Tie-in	Anticipated Gathering Start Date	Available Maximum Daily Capacity of System Segment Tie-in

XI. Map. ☐ Attach an accurate and legible map depicting the location of the well(s), the anticipated pipeline route(s) connecting the production operations to the existing or planned interconnect of the natural gas gathering system(s), and the maximum daily capacity of the segment or portion of the natural gas gathering system(s) to which the well(s) will be connected.

XII. Line Capacity. The natural gas gathering system ☐ will ☐ will not have capacity to gather 100% of the anticipated natural gas production volume from the well prior to the date of first production.

XIII. Line Pressure. Operator ☐ does ☐ does not anticipate that its existing well(s) connected to the same segment, or portion, of the natural gas gathering system(s) described above will continue to meet anticipated increases in line pressure caused by the new well(s).

☐ Attach Operator's plan to manage production in response to the increased line pressure.

XIV. Confidentiality: ☐ Operator asserts confidentiality pursuant to Section 71-2-8 NMSA 1978 for the information provided in Section 2 as provided in Paragraph (2) of Subsection D of 19.15.27.9 NMAC, and attaches a full description of the specific information for which confidentiality is asserted and the basis for such assertion.

Section 3 - Certifications

Effective May 25, 2021

Operator certifies that, after reasonable inquiry and based on the available information at the time of submittal:

☐ Operator will be able to connect the well(s) to a natural gas gathering system in the general area with sufficient capacity to transport one hundred percent of the anticipated volume of natural gas produced from the well(s) commencing on the date of first production, taking into account the current and anticipated volumes of produced natural gas from other wells connected to the pipeline gathering system; or

☒ Operator will not be able to connect to a natural gas gathering system in the general area with sufficient capacity to transport one hundred percent of the anticipated volume of natural gas produced from the well(s) commencing on the date of first production, taking into account the current and anticipated volumes of produced natural gas from other wells connected to the pipeline gathering system.

If Operator checks this box, Operator will select one of the following:

Well Shut-In. ☐ Operator will shut-in and not produce the well until it submits the certification required by Paragraph (4) of Subsection D of 19.15.27.9 NMAC; or

Venting and Flaring Plan. ☒ Operator has attached a venting and flaring plan that evaluates and selects one or more of the potential alternative beneficial uses for the natural gas until a natural gas gathering system is available, including:

- (a) power generation on lease;
- (b) power generation for grid;
- (c) compression on lease;
- (d) liquids removal on lease;
- (e) reinjection for underground storage;
- (f) reinjection for temporary storage;
- (g) reinjection for enhanced oil recovery;
- (h) fuel cell production; and
- (i) other alternative beneficial uses approved by the division.

Section 4 - Notices


1. If, at any time after Operator submits this Natural Gas Management Plan and before the well is spud:

(a) Operator becomes aware that the natural gas gathering system it planned to connect the well(s) to has become unavailable or will not have capacity to transport one hundred percent of the production from the well(s), no later than 20 days after becoming aware of such information, Operator shall submit for OCD's approval a new or revised venting and flaring plan containing the information specified in Paragraph (5) of Subsection D of 19.15.27.9 NMAC; or

(b) Operator becomes aware that it has, cumulatively for the year, become out of compliance with its baseline natural gas capture rate or natural gas capture requirement, no later than 20 days after becoming aware of such information, Operator shall submit for OCD's approval a new or revised Natural Gas Management Plan for each well it plans to spud during the next 90 days containing the information specified in Paragraph (2) of Subsection D of 19.15.27.9 NMAC, and shall file an update for each Natural Gas Management Plan until Operator is back in compliance with its baseline natural gas capture rate or natural gas capture requirement.

2. OCD may deny or conditionally approve an APD if Operator does not make a certification, fails to submit an adequate venting and flaring plan which includes alternative beneficial uses for the anticipated volume of natural gas produced, or if OCD determines that Operator will not have adequate natural gas takeaway capacity at the time a well will be spud.

I certify that, after reasonable inquiry, the statements in and attached to this Natural Gas Management Plan are true and correct to the best of my knowledge and acknowledge that a false statement may be subject to civil and criminal penalties under the Oil and Gas Act.

Signature: 
Printed Name: Cory Walk
Title: Agent
E-mail Address: cory@permitswest.com
Date: 3/17/2022
Phone: 505-466-8120
OIL CONSERVATION DIVISION (Only applicable when submitted as a standalone form)
Approved By:
Title:
Approval Date:
Conditions of Approval:

Natural Gas Management Plan – Attachment

VI. Separation Equipment:

Separation equipment is currently existing at the White Battery site. At the time of installation, construction engineering staff properly sized the equipment based on anticipated daily production rates to ensure adequate capacity.

VII. Operation Practices:

Yates Industries, LLC will take the following actions to comply with the regulations listed in 19.15.27.8:

- A. Yates will maximize the recovery of natural gas by minimizing the waste, as defined by 19.15.2 NMAC, of natural gas through venting and flaring. Yates will ensure that all natural gas will be used to generate electricity on-site.
- B. All drilling operations will be equipped with a rig flare located at least 100' from the nearest surface hole. Rig flare will be utilized to combust any natural gas that is brought to surface during normal drilling operations. In the case of emergency venting or flaring the volumes will be estimated and reported appropriately.
- C. During completion operations any natural gas brought to surface will be flared. Immediately following the finish of completion operations, all well flowback will be directed to permanent separation equipment. Produced natural gas from separation equipment will be used for on-site electricity generation. It is not anticipated that gas will not meet pipeline standards. However, if natural gas does not meet quality specifications, Yates will flare the natural gas for 60 days or until the natural gas meets the quality specifications, whichever is sooner. Yates will ensure that the flare is sized properly and is equipped with automatic igniter or continuous pilot. The gas sample will be analyzed twice per week and the gas will be routed to the generator as soon as quality specifications are met.
- D. Natural gas will not be flared with the exceptions and provisions listed in the 19.15.27.8 D.(1) through (4).
- E. Yates will comply with the performance standards requirements and provisions listed in 19.15.27.8 E. (1) through (8). All equipment will be designed and sized to handle maximum anticipated pressures and throughputs to minimize the waste. The existing flare will be retrofitted with automatic igniter or continuous pilot no later than 18 months after May 25, 2021. Flares will be located at least 100' from the well and storage tanks unless otherwise approved by the division. Yates will conduct AVO inspections as described in 19.15.27.8 E (5) (a) with frequencies specified in 19.15.27.8 E (5) (b) and (c). All emergencies will be resolved as quickly and safely as feasible to minimize waste.
- F. The volume of natural gas that is vented or flared as the result of malfunction or emergency during drilling and completions operations will be estimated. The volume of natural gas that is vented, flared, or beneficially used during production operations, will be measured, or estimated. If metering is not practicable due to circumstances such as low flow rate or low pressure venting and flaring, Yates will estimate the volume of vented or flared natural gas. Measuring equipment will conform to industry standards and will not be designed or equipped

with a manifold that allows the diversion of natural gas around the metering element except for the sole purpose of inspecting and servicing the measurement equipment.

VIII. Best Management Practices:

For maintenance activities involving production equipment and compression, venting will be limited to the depressurization of the subject equipment to ensure safe working conditions. For maintenance of production and compression equipment the associated producing wells will be shut in to eliminate venting. For maintenance of VRUs all gas normally routed to the VRU will be routed to flare to eliminate venting.

Section 3. Venting and Flaring Plan

Due to the minimal amount of natural gas production and the distance from potential gathering systems, Yates proposes the following plan as an alternative to venting and flaring. Yates will install a natural gas-powered electric generator at the existing White Battery (H-13-10S-27E). All natural gas produced from the 'White #001' will be burned to generate electricity. The electricity will then be used to run bitcoin mining computers. Yates will also tie-in to Xcel's electric grid approximately ½ mile east of the White battery to buy electricity from or sell electricity to Xcel, as needed.

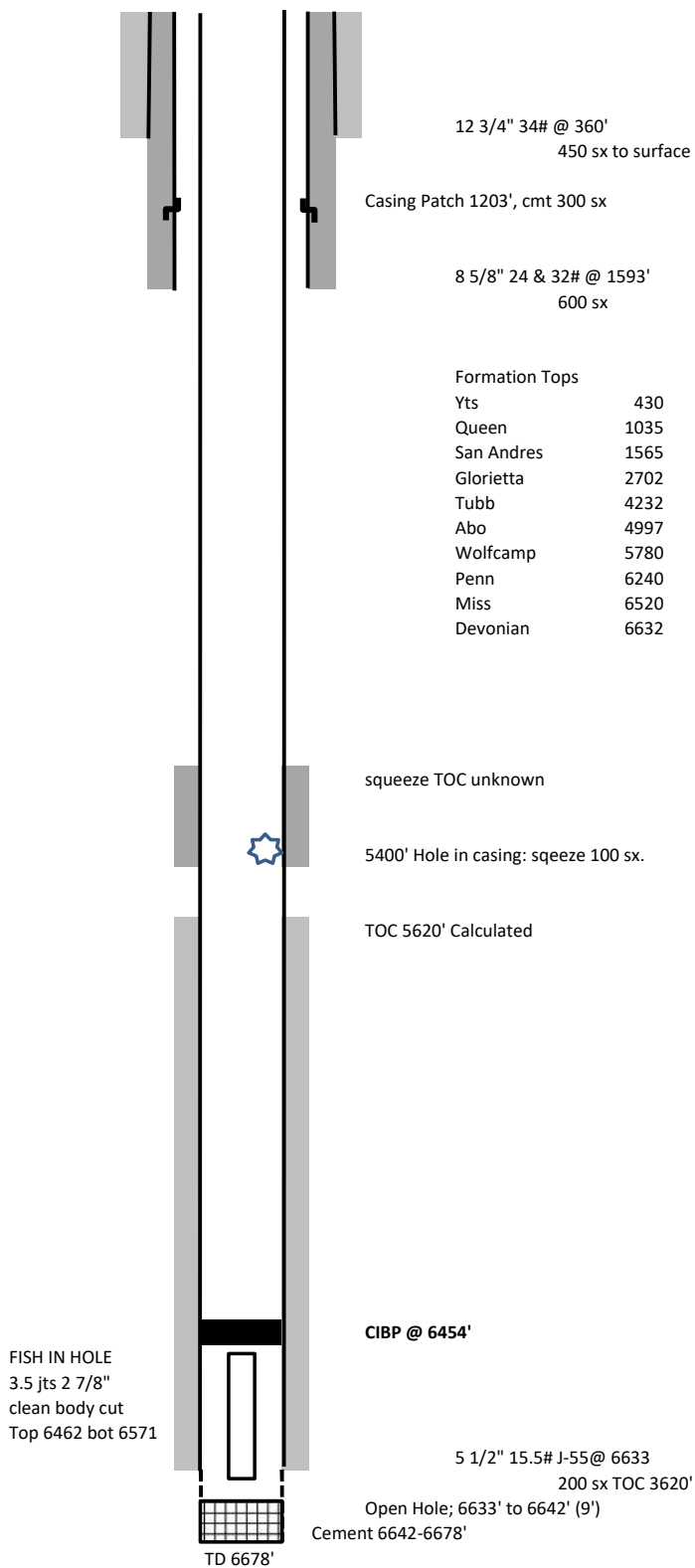


WELLBORE DIAGRAM

White #1

Section 13, T10S, R27E: 2540' FNL & 1220' FEL
API# 30-005-60114

Updated 10/27/2021





Formation Tops

White #1 (30-005-60114)

Yates	430
Queen	1035
San Andres	1565
Glorietta	2702
Tubb	4232
Abo	4997
Wolfcamp	5780
Penn	6240
Miss	6520
Devonian	6632



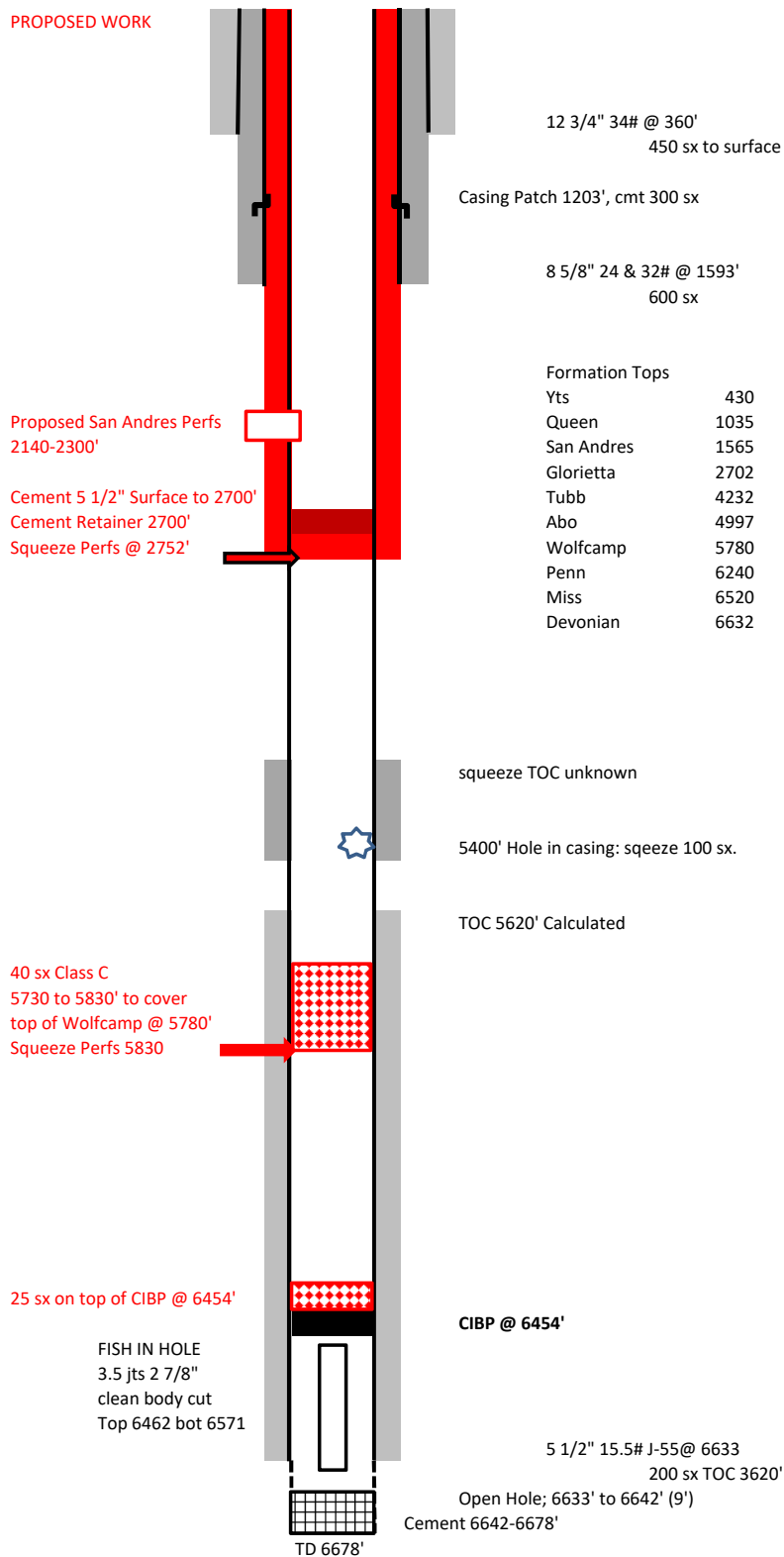
WELLBORE DIAGRAM

White #1

Section 13, T10S, R27E: 2540' FNL & 1220 FEL
API# 30-005-60114

Updated 10/27/2021

PROPOSED WORK





Workover Procedure

3/5/2022

White #1 (30-005-60114)

OBJECTIVE: Drill out CIBP @ 6454' and recover reported fish (3.5 jts 2 7/8" tubing). After recovering fish, drill out cement plug to original TD 6678' and possibly more. Swab test zone to evaluate further action.

Day	Activity
0	MI Frack Tank and Halft tank w/ gas buster Test anchors and replace if necessary MIRU Pulling unit NU BOP and prep to RIH w/ bit MI pipe racks and 6700' of used inspected 2 7/8" tubing
1	RIH w/ bit and 6 drill collars to tag CIBP @ 6454' MI Reverse unit Test casing to 500 psi (hole in casing @ 5400' was squeezed) Drill out CIBP and clean well out to top of fish at 6462' Circulate hole clean and POH w/ bit.
3	RIH w/ 4 jts washpipe Wash over 3.5 jts fish and wash down to cmt plug @ 6633 POH w/ washpipe and hope to recover fish
4	RIH w/ grapple, jars and accelerator. Latch on to fish POH w/ fish and LD fishing tools
	IF FISH IS NOT RECOVERED, Plug back and test San Andres
5	RIH w/ bit and collars Drill out cement plug to original TD of 6678', deepen if desired POH w/ bit and collars
6	RIH w/ packer and tubing, set packer @ 6550' Swab test to evaluate next step.

PLUG BACK AND TEST SAN ANDRES (IF NO DEEP COMPLETION)

SEE CHANGES TO PROCEDURE

- 5 MIRU wireline; Set CIBP + 35' cement at 6454' WOC & Tag - Test Csg - Run CBL - Formation Tops
Perf and squeeze plug @ 5830 25 sx cmt 5780' or perf & sqz - T of Wolfcamp
25 sx cmt 5047' or perf & sqz T of Abo
25 sx cmt 4282' or perf & sqz T of Glorietta
- 6 Perforate 2752', set packer and check for circulation
POH w/ packer and RIH w/ cement Retainer
Pump in annulus to bring cement to surface (est 500 sx)
WOC
- 7 ~~Run CBL log~~ and perforate San Andres pay zones (2140-2300)
RIH w/ packer and tailpipe. RIH to hang tailpipe @ bottom perf
Spot 3 bbls 20% NEFE acid over perforations.
Pull packer up to set w/ tailpipe 100' above top perforation
Acidize well w/ 5000 gallons 20% NEFE using ball sealers for diversion
Start flow back
- 8 Flow and swab back load
- 9 Pull packer
RIH w/ production BHA and tubing
RIH w/ pump and rods
- 10 RDMO Pulling Unit

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CONDITIONS

Action 91098

CONDITIONS

Operator: YATES INDUSTRIES LLC 403 W San Francisco Street Santa Fe, NM 87501	OGRID: 372658
	Action Number: 91098
	Action Type: [C-101] Drilling Non-Federal/Indian (APD)

CONDITIONS

Created By	Condition	Condition Date
kpickford	Will require a administrative order for non-standard location prior to placing the well on production	3/24/2022
kpickford	Note changes to plugging plan	3/24/2022
kpickford	Notify OCD 24 hours prior to casing & cement	3/24/2022